

## **INDITEX** (BME: ITX) 1H17 Results: Solid Sales and Some Margin Erosion

**Figure 1. Inditex 1H17 Key Metrics**

	1H17	1H16	YoY Change
Revenues (EUR Bil.)	€11.7	€10.5	11.5%
Gross Margin	56.4%	56.8%	(40) bps
SG&A/Sales	36.6%	36.6%	0 bps
Operating Margin	14.9%	15.3%	(40) bps
Diluted EPS (EUR)	€0.44	€0.40	8.7%

Source: Company reports/FGRT

- Inditex reported 1H17 revenues of €11.7 billion, an increase of 11.5% year over year and above the analyst consensus estimate. Constant-currency sales in 1H17 increased 11.0% year over year, while comps increased 6.0% year over year.
- EBIT increased by 8.6% year over year to €1.7 billion in 1H17, however, EBIT margin contracted by 40 basis points year over year to 14.9%.
- Inditex's store and online sales at constant currencies for the trading period of August 1 to September 17, 2017 have increased by 12.0% year over year.

### 1H17 Results

Inditex, an international textile company based in Spain, reported a 11.5% year-over-year increase in revenue for 1H17 to €11.7 billion, slightly above the consensus estimate. Comparable store sales increased 6.0% year over year and were positive across all geographies. Comparable store sales in the same period last year increased 11% year over year.

1H17 gross profit margin contracted by 40 bps year over year to 56.4%. Tight control of operating expenses resulted in flat SG&A margin at 36.6%.

Inditex reported growth of 8.6% year over year in EBIT to €1.7 billion in 1H17, while EBIT margin contracted by 40 bps year over year to 14.9%. EPS was €0.44, an increase of 8.7% versus 1H16.

Inditex opened new stores in 35 markets in 1H17, bringing its total to 7,405 stores in 93 markets. So far this year, online sales for Zara have been launched in Singapore, Malaysia, Thailand and Vietnam.

### Outlook

Inditex's store and online sales at constant currencies for the trading period of August 1 to September 17, 2017 have increased by 12.0% year over year.

Zara expects to launch online sales in India on October 4, 2017.

The group expects to incur capex of €1.5 billion in FY17.

Analysts estimate that Inditex will generate €25.9 billion in net sales in FY17, along with €4.6 billion in EBIT and EPS of €1.14. The consensus estimate implies FY17 year-over-year revenue growth of 11.2%, EBIT margin of 17.6% and EPS growth of 12.4%.



FLASH REPORT

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